

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-07 IO-11 ISO-00 SP-02 USIA-06 AID-05

NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03

LAB-04 SIL-01 AGR-05 /103 W  
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R 110342Z MAR 76

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 1039

INFO AMEMBASSY CANBERRA

USDEL MTN GENEVA

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ECON, NZ

SUBJ: LATEST NZIER PREDICTIONS ON NATIONAL INCOME AND EXPENDITURE

1. THE NEW ZEALAND INSTITUTE OF ECONOMIC RESEARCH (NZIER)  
HAS JUST MADE AVAILABLE TO THE EMBASSY A COPY OF THE ADVANCE  
RELEASE OF ITS MARCH QUARTERLY PREDICTIONS ON NATIONAL INCOME  
AND EXPENDITURE. THIS ADVANCE IS NOT REPEAT NOT FOR  
PUBLICATION OR TO BE QUOTED OR CITED PUBLICLY.

2. HIGHLIGHTS INCLUDE THE FOLLOWING POINTS:

(A) BALANCE OF PAYMENTS DEFICIT STILL DOMINATES  
NZ ECONOMIC SITUATION.

(B) OTHER MAJOR CONCERNS ARE (1) REDUCING THE PUBLIC  
DEFICIT AND (2) LOWERING DOMESTIC INFLATION.

(C) THERE IS NO COMPREHENSIVE PICTURE YET OF THE  
MAIN COMPONENTS OF NATIONAL GOVERNMENT POLICY.

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(D) IMPORT DEMAND HAS NOT FALLEN ENOUGH TO RESTORE THE PAYMENTS BALANCE. IMPORTS ARE FORECAST TO DECLINE ONLY 2 PER CENT TO \$2,450 (NZ DOLLARS) IN MARCH 1977 YEAR.

(E) EXPORT RECEIPTS FOR THE SAME PERIOD ARE FORECAST TO RISE 20 1/2 PERCENT TO \$2,455 MILLION (VS. A 25 PERCENT INCREASE IN THE YEAR ENDING MARCH 1976).

(F) THE FORECAST INTERNATIONAL CURRENT ACCOUNT DEFICIT FOR THE MARCH 1977 YEAR IS \$530 MILLION (VS. AN ESTIMATED \$980 MILLION IN THE MARCH 1976 YEAR).

(G) A FORECAST OF ONLY AN 11 PERCENT INCREASE IN SALARIES AND WAGES IN THE 1976 MARCH YEAR AND ALSO IN THE 1977 MARCH YEAR, CONSIDERABLY LESS THAN THE COST-OF-LIVING INCREASE.

(H) THE RATE OF INCREASE BETWEEN THE YEARS ENDING MARCH 1976 AND 1977 OF BOTH PUBLIC CURRENT AND CAPITAL EXPENDITURES ARE PREDICTED TO FALL, FROM 25 PERCENT TO 12 1/2 PERCENT FOR THE FORMER AND FROM 24 TO 2 1/2 PERCENT FOR THE LATTER. THIS WILL REPRESENT AND ABSOLUTE DECLINE IN REAL TERMS IN THE MARCH 1977 YEAR. PUBLIC AUTHORITY TRADING INCOME IS EXPECTED TO INCREASE 57 PERCENT IN THE MARCH 1977 YEAR.

(I) TOTAL PUBLIC AUTHORITY REVENUE IS PREDICTED TO RISE 21 1/2 PERCENT IN MARCH 1977 YEAR TO \$4,210 MILLION (VS. 8 1/2 PERCENT IN THE MARCH 1976 YEAR), WHEREAS TOTAL EXPENDITURE WILL INCREASE ONLY 10 1/2 PERCENT (VS. 25 PERCENT IN THE MARCH 1976 YEAR) TO \$4,784 MILLION.

(J) COMPANY INCOMES WILL INCREASE 16 PERCENT IN THE MARCH 1977 YEAR BUT BECAUSE OF REDUCED WAGE INCREASES RATHER THAN ANY LARGE INCREASE IN TRADING.

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(K) REAL GNP IS EXPECTED TO FALL A FURTHER 1 PERCENT IN THE MARCH YEAR ENDING 1977 IT IS ESTIMATED TO HAVE FALLEN 1 1/2 PERCENT IN THE 1976 MARCH YEAR.

(L) FARMING INCOMES ARE ESTIMATED TO HAVE RISEN 49 1/2 PERCENT IN THE MARCH 1976 YEAR DUE TO BETTER PRICES AND FAVORABLE PRODUCTION SEASON AND ARE FORECAST TO RISE A FURTHER 12 1/2 PERCENT IN THE MARCH 1977 YEAR.

(.) DOMESTIC INFLATION CALCULATED BY A DOMESTIC  
OUTLAY DEFLATOR IS ESTIMATED TO BE 15 PERCENT IN THE  
YEAR ENDING MARCH 1976. (THE CPI RISE IS SLIGHTLY MORE  
THAN THIS DUE TO RECENT REMOVAL OF CONSUMER SUBSIDIES.)

(N) INFLATION OF 13 PERCENT IN THE 1977 MARCH YEAR  
IS FORECAST.  
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